

109th Congress

Regulatory Reform and Relief

BACKGROUND

In August 2001, the Chairman of the House Financial Services Committee requested that the financial regulatory agencies provide the Committee with any recommendations for regulatory relief. NCUA has provided the House Financial Services Committee Chairman Mike Oxley (R-OH) with suggestions that could be included in legislation that would lessen the regulatory burden and improve productivity for depository institutions. NCUA has also provided the Committee a series of technical amendments to the Federal Credit Union Act. The House passed regulatory relief legislation last Congress but the Senate did not take the matter up. It is again being considered in the 109th Congress.

NCUA recommended that the legislation include provisions that would:

- Allow credit unions to provide check cashing, wire transfer and other money transfer services for non-members within the field of membership
- Increase the twelve-year maturity on loans
- Increase the one percent investment limit on CUSO's
- Expand the "reasonable proximity" requirement
- Expand investment options
- Expand voluntary merger authority
- Provide relief from SEC registration requirements

LEGISLATIVE STATUS

U.S. House of Representatives

Chairman Johnson testified on June 9, 2005 before the Subcommittee on Financial Institutions and Consumer Credit providing the subcommittee with NCUA recommendations and advocated the inclusion of NCUA's risk-based PCA proposal.

On July 28, 2005, HR 3505, the "Financial Services Regulatory Relief Act of 2005" was introduced by Representatives Jeb Hensarling (R-TX) and Dennis Moore (D-KS). Credit union provisions include:

- Providing additional investment authority to purchase for the credit union's own account certain investment securities
- Increasing the maturity of Federal credit union loans to 15 years, or longer if approved by the NCUA Board, from 12 years

- Raising to 3% from 1% the investment limit in credit union service organizations (CUSOs)
- Allowing Federal credit unions to sell negotiable checks and cash checks to persons eligible for membership
- Permitting voluntary mergers of multiple bond credit unions for employee groups, regardless of size, retroactive to August 7, 1998
- Exempting federally-insured credit unions from the SEC's broker-dealer and investment adviser registration requirements
- Excluding from the member business loan limitation member business loans to non-profit religious organizations
- Authorizing privately insured credit unions to become members of a Federal Home Loan Bank
- Giving military and civilian authorities responsible for buildings erected on Federal property the discretion to extend to credit unions that finance the construction of credit union facilities on Federal land real estate leases at a favorable rate
- Allowing community charter credit unions to retain all employee groups in its membership field from the multiple bond credit union that has merged or converted into it
- Giving federal credit union boards greater flexibility to expel a disruptive member
- Provide NCUA with greater flexibility in setting the usury ceiling for federal credit unions
- Exempting federal credit unions from the pre-merger notification requirement of the Clayton Act
- Providing for technical corrections to the Federal Credit Union Act.
- Adding language to preserve the capital of merging credit unions after FASB adopts an expected accounting rule change (same as HR 1042).
- Amending FDICIA to make clear that state authorities are responsible for the audit provisions related to private share and deposit insurance activities.

United States Senate

The Senate Committee on Banking, Housing and Urban Affairs held a hearing on June 21, 2005 and Chairman JoAnn Johnson provided the Committee with NCUA's recommendations for a bill Senator Crapo (R-ID) is assembling.

Chairman Johnson also presented the case for risk-basing PCA for federally insured credit unions and urged the Committee to include it in regulatory reform legislation they are planning to introduce.

Updated: August 10, 2005